

Message Text

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ACTION SS-30

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 3827

C O N F I D E N T I A L JAKARTA 9888

EXDIS

E.O. 11652: GDS

TAGS: EFIN, ECON

SUBJ: US ASSISTANCE TO INDONESIA

REFS: A) JAKARTA 6567 B) JAKARTA 9881

1. DURING MEETING AUGUST 9 REPORTED IN REFERENCE (B), MINISTER PLANNING WIDJOJO SIAD HE HAD SPOKEN WITH PRESIDENT SUHARTO AFTER MY MEETING WITH PRESIDENT AUGUST 2 AND PRESIDENT WAS NOT "FULLY HAPPY" WITH WHAT I HAD TOLD HIM. WIDJOJO ADDED PRESIDENT FOUND MEETING USEFUL AND APPRECIATED MY DETAILED OUTLINE, BUT INTERPRETED WHAT I SAID TO SUGGEST U.S. WAS PREMATURELY CONCLUDING THAT INDONESIA NO LONGER NEEDED HELP.

2. I EXPLAINED TO WIDJOJO PROBLEM WE WERE HAVING IN JUSTIFYING CONTINUING ASSISTANCE TO INDONESIA AND THAT CONGRESSIONAL UNCERTAINTIES MADE IT ESSENTIAL, IN MY VIEW, THAT PRESIDENT UNDERSTAND WE IN EXECUTIVE BRANCH STILL RECOGNIZED NEEDS, WERE SEEKING AUTHORIZATION FOR ONGOING HELP, BUT THAT WE COULD NOT BE SURE OF RESULTS. THIS WAS DIFFICULT PERIOD ON TRANSITION FROM PREVIOUS PATTERNS OF HELP AND I FELT IT ESSENTIAL TO DO ALL POSSIBLE TO KEEP PRESIDENT AND GOI CLOSELY INFORMED AND TO BE APPRISED AND TO HAVE WASHINGTON APPRISED AT ALL TIMES OF INDONESIAN REACTION AND THINKING. HOPEFULLY THIS WOULD AVOID
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POSSIBLE SURPRISES AND DISAPPOINTMENTS LATER.

I THEREFORE WELCOMED WIDJOJO'S COMMENTS.

3. WIDJOJO SAID HE FULLY UNDERSTOOD. PROBLEM WAS THAT PRESIDENT DESPITE NEW REVENUES, BELIEVED INDONESIA'S NEEDS TO BE SO GREAT THAT FULFILLMENT ALL AID COMMITMENTS ESSENTIAL TO HIS PLANS. HE PLACED STOCK IN FIGURES AND, AS FAR AS U.S. WAS CONCERNED, HAD FIRMLY IN MIND OUR IGGI PLEDGE OF \$176 MILLION. HE PAID LESS ATTENTION TO EXACTLY HOW PLEDGE WAS TO BE FULFILLED AND WAS PREPARED ACCEPT HARDER TERMS THAN IN PAST. DIFFICULTY WAS THAT U.S. LESS ABLE THAN OTHER IGGI MEMBERS TO MIX HARD AND SOFT TERMS.

4. I SAID I WAS ACUTELY AWARE OF PRESIDENT'S FEELING AND OF OUR OWN DIFFICULTIES. WE HOPED WE MIGHT MEET PLEDGE THROUGH DL AND PL-480, BUT THIS WAS BY NO MEANS CERTAIN. WHILE EXIM WAS NOT REGAREED IN WASHINGTON AS SUBSTITUTE FOR AID, WE HOPED EXIM CREDITS COULD BE SEEN AS USEFUL CONTRIBUTION TO INDONESIAN DEVELOPMENT AND COULD BE, IF SUCH CREDITS CAN BE ARRANGED, COUNTED AGAINST OUR PLEDGE. WIDJOJO AGREED THIS POSSIBLE, BUT SAID HE WAS DISTURBED, NOT ONLY BY EXIM UNCERTAINTIES IN CONGRESS, BUT BY REPORTS NEW EXIM RULES, PARTICULARLY RELATING TO DROP IN EXIM SHARE IN PROJECT FROM 45 PERCENT TO A REPORTED 35 PERCENT.

5. I URGED THAT HE DRAW NO CONCLUSIONS REGARDING USEFULNESS OF EXIM CREDITS UNTIL EXIM LEGISLATION ACTUALLY PASSED AND UNTIL HOPED FOR VISIT BY PRESIDENT CASEY TAKES PLACE. WIDJOJO SAID HE WOULD DO THIS. HE EMPHASIZED THAT, AS FAR AS PRESIDENT SUHARTO IS CONCERNED, IMPORTANT THING FOR U.S. IS TO TALK, NOT IN TERMS OF REDUCING AID, BUT IN TERMS OF CHANGING FORM OF AID, SO THAT IT DOES NOT SOUND AS IF ANTICIPATED TOTAL AMOUNT IS BEING REDUCED.

6. COMMENT: WIDJOJO'S COMMENTS CONFIRM OUR IMPRESSION OF PRESIDENT'S SOMEWHAT OVERSIMPLIFIED APPROACH TO FOREIGN CREDIT PROBLEM. THEY FURTHER CONFIRM DESIRABILITY OF APPROACH WE HAVE SUGGESTED TO TRANSITION FORM CONCESSIONAL AID TO HARDER TERMS, WHETHER THROUGH EXIM OR PL-480. IMPORTANT THING IS THAT WE SEEM TO

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BE MAINTAINING LEVEL, AT LEAST IN FY 75.
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